

Lessons from the Past
Strategy for Financing a Bay Delta Restoration Program

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The purpose of the budget information provided to the Task Force is to shed light on expenditures and funding sources of state departments that have a significant presence in the Bay Delta. The departments included in this analysis are the Resources Agency, CALFED and the Bay Delta Authority, Department of Water Resources, Department of Fish and Game, State Water Resources Control Board, the Wildlife Conservation Board and the State Lands Commission. Other departments such as the Department of Public Health, Department of Forestry and Fire Protection, Department of Conservation and the Bay Delta Protection Commission have a smaller fiscal presence in the delta.

1. Lessons from the Past - Erratic funding patterns weaken consistent policy making.

General Fund contributions remain small - Consistent funding of environmental resource management programs has not been one of California state government's priorities. On the contrary, like many other government programs funding for resource management has not only followed the ups and downs of state economic cycles it has met periodic changes in financing policies over various gubernatorial administrations.

- Over a 27 year period the general fund contribution hovered around 10%.
- An increased reliance on special funds such as licenses and fees make up a larger share of funding.
- The primary impact of a high reliance on fees and licenses is that they are often dedicated to a specific purpose which may or may not match the resource management priorities.
- Bay Delta restoration funding is a stepchild in the resource management budget process.

General Obligation Bonds pick up the slack – One reason for the variation in resource management spending levels is the availability of general obligation bonds. When faced with a slow growing general fund revenue base Administration fiscal policy has been to fund resource management programs that would otherwise place demands on the general fund with bond funds.

- The use of bond funds for operational purposes reduces the resources for capital investment.

- Since 1980, there have been 23 resource management bond measures passed by the voters.
- Of those, 20 (87%) were crafted by the Legislature and Governor. The remaining 3 (13%) were initiative measures.
- Initiative measures accounted for 40% of total bond proceeds.
- Bond proceeds that have supported restoration activities in the Bay Delta a large share of funding came from Proposition 50 and Proposition 85 which were initiative measures passed by the voters in 2002 and 2006, respectively.

2. Bay Delta Restoration Program Budgeting

The vagaries of California Budget Making - The Bay Delta program was funded through the DWR budget until the 2003-04 fiscal year. Thereafter CALFED was funded through its own budget item. Funding for Delta restoration work is primarily through direct appropriations (general funds, special funds, bond funds and federal funds) and departmental reimbursements. Clear tracking of expenditures of delta related activities is primarily found in the cross cut budgets published by CALFED back to 2000.

- The Crosscut Budget published by CALFED helped identify agency expenditures. Most departments did not identify Bay Delta related expenditures since California's budget making system focuses on departmental expenditures on a statewide basis.
- There is limited regional focus for departments that have statewide responsibilities.
- Lack of transparency and consistent funding patterns and departmental responsibilities remain a problem.
- The lack of a unified budget approach makes it difficult to apply performance measures since the connection between budget decisions and performance is split among many participating departments.

3. Thoughts for the Vision From a Fiscal Point of View

Follow the Money - Over the last 10 years the funding arrangements are best described as whimsical. There is no unified method for appropriating money to Bay-delta restoration. Since the state budget making system does not "regionalize" expenditures it is often difficult to track departmental budgets on a regional basis much less a physio-geographic region that does not follow a political boundary.

- If one of the objectives of Delta Vision is fiscal transparency, a unified budget for the Bay-Delta region should be established.

- All department activities would be identified in one budget item and shown as an appropriation for those departments. This would allow the legislature and the administration to connect appropriations with performance measures.
- Performance measures when connected to appropriations would matter. Direct appropriations would allow the legislature as well as the public to follow Bay-Delta related programs in a consistent manner and measure the outcome of a particular restoration policy.

How to pay for it – Seventy two per cent of funding for Bay-Delta restoration has come from 5 general obligation bonds approved by the voters. Two of which were initiative measures. A related problem with a high reliance on bond funding has been the tendency of administrations to spend bond funds for activities such as studies and administrative activities which supplant general fund or special fund allocations. This policy limits the amount of bond funding available for capital expenditures.

- Consistent program implementation matters. For program implementation and oversight construct a special fund financed by a “beneficiary pays” system. The special fund would be held in trust for the purpose of implementing a Bay-delta restoration program.
- Improvements to the infrastructure of the Bay-Delta region should be financed with long term bonds supported by beneficiaries of the improvements. In some cases the beneficiaries are within the region and in others the benefit may accrue to the state as a whole.